

Legislative Republican Leaders Say Medicaid Expansion Is A Tax On Hospitals

By Administrator

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Governor Roy Cooper unveiled his two year budget proposal which includes expanding North Carolina's Medicaid Program by paying for the state's portion with a new tax on hospitals and insurance providers, costing them hundreds of millions of dollars over the next five years alone.

The federal government currently funds 90 percent of the cost of Medicaid expansion and states that choose to expand are responsible for covering the other 10 percent. Gov. Cooper's budget proposes that North Carolina cover that cost by taxing hospitals and insurance providers. While Gov. Cooper claims that his Medicaid expansion proposal results in "no new taxes on the people of North Carolina," the cost from the tax on hospitals and providers will inevitably be passed on to taxpayers who have private insurance.

"Governor Cooper is pushing this idea that his Medicaid expansion proposal is revenue-neutral to the state, but that idea is just not based in reality," Said Senate Leader Phil Berger (R-Rockingham). "There is no such thing as 'free' money, someone always has to pay. In this case it's the taxpayers in the private insurance market who at the end of the day will pay the price of this new tax to fund expansion."

Medicaid expansion advocates point to the fact that increased taxes are not likely to increase costs to patients because hospitals will see a reduction in uncompensated care, and that reduction will void out the cost of the tax. But evidence from other states points to the contrary. Arizona expanded their Medicaid program in 2013 with the hopes that it would cut down on hospital cost shifting to cover uncompensated care. In reality, Medicaid expansion actually increased cost shifting onto private payers. Before expansion, proponents claimed that cost shifting to private payers in Arizona amounted to 14 percent above hospitals' costs, but in 2016, three years after expansion, that had increased to 27 percent above hospitals' costs.

Additionally, while almost all states that have expanded Medicaid have paid their portion of the expansion costs through taxes on hospitals and providers, there is no guarantee that the federal government will allow that to continue. In 1991, the federal government restricted how much states could use taxes on providers to cover their share of traditional Medicaid costs, and the nonpartisan Congressional Budget Office recently said that further limiting use of those taxes could be an option to reduce the growing national debt. If the federal government were to implement new restrictions in the future, it could potentially leave North Carolina taxpayers on the hook for hundreds of millions of dollars.

"Providing health care to hundreds of thousands of people at no cost to the state sounds great,

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but it's nothing more than a fantasy," said Sen. Ralph Hise (R-Mitchell). "Expanding Medicaid would cost our state billions of dollars in the long run and would prevent us from funding other important needs like North Carolina's Intellectual/ Developmental Disability Medicaid Program which provides critical care to disabled North Carolinians and currently has approximately 12,000 people on the waiting list."